

12-15-1999

ASSIGNMENT RE

EET Patents Only



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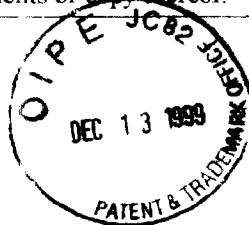
y Dkt. No.: 42487/192723

To the Honorable Commissioner of Patents

Please record the attached original documents of this record.

1. Name of conveying party(ies):

Kinetic Biosystems, Inc.
430 10th Street, N.W.
Suite N-108
Atlanta, Georgia 30318

Additional name(s) of conveying party(ies) attached? Yes ☐ No ☒

2. Name and address of receiving party(ies)

Frank Auman, Harrington Bischof
and IDM Partners, Inc.
8015 Shoal Creed Blvd.
Suite 100
Austin, Texas 78757

3. Nature of conveyance:

- ☐ Assignment
☐ Merger
☒ Security Agreement
☐ Change of Name
☐ Other

Execution Date: November 29, 1999

Additional name(s) & address(es) attached? Yes ☐ No ☒

4. Application No. _____

Patent No. 5,821,116

If this document is being filed together with a new application, the execution date of the application is: _____

Additional numbers attached? Yes ☐ No ☒

5. Name and address of party to whom correspondence concerning document should be mailed:

ALSTON & BIRD LLP
P. O. Drawer 34009
Charlotte, NC 28234-4009

6. Total number of applications and patents involved

1

7. Total fee (37 CFR 3.41) \$40.00



Enclosed



Authorized to be charged to deposit account

8. Deposit account number: 16-0605

DO NOT USE THIS SPACE

9. Statement and signature

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Todd S. McClelland, Reg. No. 44,915

Name of Person Signing

Signature

Date

Total number of pages including cover sheet, attachments and document: 16

SECURITY AGREEMENT

THIS SECURITY AGREEMENT dated as of November 29, 1999 executed and delivered by **KINETIC BIOSYSTEMS, INC.**, a corporation organized under the laws of the State of Nevada, with its principal place of business and chief executive office located at 430 10th Street NW, Suite N-108, Atlanta, Georgia 30318 (the "Debtor"), in favor of **FRANK AUMAN** and **HARRINGTON BISCHOF**, individual residents of the State of _____ and **IDM PARTNERS, LTD.**, a corporation organized under the laws of the State of Texas (together, the "Secured Party").

WHEREAS, the Debtor is indebted to the Secured Party and desires to secure such indebtedness by granting to the Secured Party a security interest in certain of the Debtor's assets;

NOW, THEREFORE, in consideration of the above premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Debtor, the Debtor hereby agrees with the Secured Party as follows:

Section 1. Grant of Security. To secure the prompt and complete payment, observance and performance when due (whether at stated maturity, by acceleration or otherwise) of all of the Obligations, the Debtor hereby collaterally assigns and pledges to the Secured Party, and grants to the Secured Party a security interest in, the Collateral.

Section 2. Representations and Warranties. The Debtor represents and warrants to the Secured Party as follows:

(a) **Name; Taxpayer ID Number.** The correct corporate name of the Debtor is set forth in the first paragraph of this Agreement, and the Debtor does not conduct and, during the five-year period immediately preceding the date of this Agreement, has not conducted, business under any trade name or other fictitious name other than those set forth on Schedule 2.(a) attached hereto. The social security number or Internal Revenue Service taxpayer identification number, as applicable, of the Debtor is 74-2847827.

(b) **Organization; Power; Qualification.** The Debtor is a corporation, duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, has the power and authority to own its properties and to carry on its business as now being and hereafter proposed to be conducted and is duly qualified and authorized to do business as a foreign corporation in each jurisdiction in which the character of its properties or the nature of its business requires such qualification or authorization.

(c) **Authorization.** The Debtor has the right and power, and has taken all necessary action to authorize it, to execute, deliver and perform this Agreement in accordance with its terms. This Agreement, the Financing Statements and the instruments, agreements and other documents to which the Debtor is a party and which evidence or relate in any way to the Obligations have been executed and delivered by the authorized officers of the Debtor and each is a legal, valid and binding obligation of the Debtor enforceable against the Debtor in accordance with its terms.

(d) Compliance of Agreement with Laws, etc. The execution, delivery and performance of this Agreement by the Debtor in accordance with its terms, including the granting of the Security Interest, do not and will not, by the passage of time, the giving of notice or otherwise (i) conflict with, result in a breach of or constitute a default under any indenture, instrument or other agreement to which the Debtor is a party or by which it or any of its properties may be bound or (ii) result in, or require the creation or imposition of, any Lien upon or with respect to any property in which the Debtor now or may hereafter have rights.

(e) Liens. None of the Collateral is, as of the date hereof, subject to any Lien, except Permitted Liens. No financing statement under the Uniform Commercial Code of any jurisdiction which names the Debtor as debtor or covers any of the Collateral, or any other notice filed in the public records indicating the existence of a Lien thereon, has been filed and is still effective in any jurisdiction, and the Debtor has not signed any such financing statement or notice or any security agreement authorizing any Person to file any such financing statement or notice.

(f) Chief Executive Office. The chief executive office and principal place of business of the Debtor are located at the address set forth in the first paragraph of this Agreement, and have been located there for the one-year period immediately preceding the date hereof. During such one-year period, the Debtor has not changed its name, identity or corporate structure in any way.

(g) Places of Business. The addresses (including the applicable counties) of all of the places of business of the Debtor are set forth on Schedule 2.(g) attached hereto.

(h) Collateral. All Inventory is in good condition, meets all standards imposed by any governmental agency, or department or division thereof, having regulatory authority over such goods, their use or sale, and is currently either usable or salable in the normal course of the Debtor's business. All Inventory is located on one or more of the places set forth on Schedule 2.(g) hereof or is in transit to one of such locations. All Equipment of the Debtor is in good order and repair and is located on or at one or more of the places set forth on Schedule 2.(g) hereof.

(i) Security Interest. It is the intent of the Debtor that this Agreement create a valid and perfected first-priority security interest in the Collateral, securing the payment of the Obligations.

Section 3. Continued Priority of Security Interest.

(a) The Security Interest shall at all times be valid, perfected and of first priority and enforceable against the Debtor and all other Persons, in accordance with the terms of this Agreement, as security for the Obligations. The Debtor shall, at its sole cost and expense, take all action that may be necessary or desirable, or that the Secured Party may request, so as at all times to maintain the validity, perfection, enforceability and priority of the Security Interest in the Collateral in conformity with the immediately preceding sentence, or to enable the Secured Party to exercise or enforce its rights hereunder, including, but not limited to, executing and delivering financing statements, pledges, designations, hypothecations, notices and assignments, in each case in form and substance satisfactory to the Secured Party, relating to the creation, validity, perfection, priority or continuation of the Security Interest under the Uniform Commercial Code or other Applicable Law.

(b) The Secured Party is hereby authorized to execute and file in all necessary and appropriate jurisdictions (as determined by the Secured Party) one or more financing statements (or any other document or instrument referred to in this Section) in the name of the Debtor and to sign the Debtor's name thereto. The Debtor authorizes the Secured Party to file any such financing statement, document or instrument without the signature of the Debtor to the extent permitted by Applicable Law. Further, to the extent permitted by Applicable Law, a carbon, photographic, xerographic or other reproduction of this Agreement or of any Financing Statement is sufficient as a financing statement.

Section 4. Covenants Regarding Collateral Generally.

(a) Delivery of Instruments. In the event any of the Collateral becomes evidenced by an instrument, the Debtor will immediately thereafter deliver such instrument to the Secured Party, appropriately endorsed to the Secured Party.

(b) Defense of Title. The Debtor shall at all times be the sole owner of each and every item of Collateral and shall defend its title in and to, and the Security Interest in, the Collateral against the claims and demands of all Persons.

(c) Maintenance of Collateral. The Debtor shall maintain all physical property that constitutes Collateral in good and workable condition, with reasonable allowance for wear and tear, and shall exercise proper custody over all such property.

(d) Insurance. The Debtor shall at all times maintain insurance on the Collateral against loss or damage by fire, theft, burglary, pilferage, loss in transit and such other hazards and risks as the Secured Party shall specify, in amounts (which shall not be less than the aggregate amount of the Obligations) and under policies issued by insurers acceptable to the Secured Party. All premiums on such insurance shall be paid by the Debtor and certified copies of the policies, or other evidence of insurance acceptable to the Secured Party, shall be delivered to the Secured Party promptly upon the Secured Party's request. The Debtor will not use or permit the Collateral to be used unlawfully or outside of any insurance coverage. All insurance policies required under this Section shall contain loss payable clauses on Georgia standard loss payee forms or other forms satisfactory to the Secured Party, naming the Secured Party as loss payee, and providing that no such insurance shall be affected by any act or neglect of the insured or owner of the property described in such policy and such policies and loss payable clauses may not be canceled, amended or terminated with respect to the Secured Party unless at least thirty days' prior written notice is given to the Secured Party.

(e) Location of Office. The Debtor's chief executive office, principal place of business will continue to be kept at the address set forth in the first paragraph of this Agreement and the Debtor will not change the location of such office and place of business or such books and records without giving the Secured Party at least thirty days' prior written notice thereof.

(f) Location of Collateral. All Inventory, other than Inventory in transit to any such location, all Equipment and all other tangible Collateral will at all times be kept by the Debtor at the locations set forth on Schedule 2.(g), and shall not, without the prior written consent of the Secured Party, be removed therefrom except in connection with sales thereof in the ordinary course of business.

(g) Inspection. The Secured Party (by any of its officers, employees or agents) shall have the right, at any time or times during normal business hours: (i) to inspect the Collateral, all files relating thereto and the premises upon which any of the Collateral is located, (ii) to discuss the Debtor's affairs and finances with any Person, to verify the amount, quantity, value and condition of, or any other matter relating to, any of the Collateral and (iii) to review, audit and make extracts from all records and files related to any of the Collateral.

(h) Other Information. The Debtor shall furnish to the Secured Party such other information with respect to the Collateral as the Secured Party may reasonably request from time to time.

(i) Payments Directly to Secured Party. The Secured Party may at any time and from time to time notify, or request the Debtor to notify, in writing or otherwise, any account debtor or other obligor with respect to any one or more of the Receivables to make payment to the Secured Party or any agent or designee of the Secured Party directly, at such address as may be specified by the Secured Party. If, notwithstanding the giving of any notice, any account debtor or other such obligor shall make payment to the Debtor, the Debtor shall hold all such payments it receives in trust for the Secured Party, without commingling the same with other funds or property of or held by the Debtor, and shall promptly deliver the same to the Secured Party or any such agent or designee immediately upon receipt by the Debtor in the identical form received, together with any necessary endorsements.

(j) Proceeds of Collateral. The Debtor shall account fully and faithfully for, and upon the Secured Party's request, promptly pay or turn over to the Secured Party, proceeds in whatever form received in disposition in any manner of any of the Collateral. To the extent practicable, the Debtor shall at all times keep the Collateral and proceeds thereof separate and distinct from other property of the Debtor and shall keep accurate and complete records of the Collateral and proceeds thereof.

Section 5. Negative Covenants. So long as any of the Obligations remain unpaid or unperformed, the Debtor shall not:

(a) Indebtedness for Borrowed Money. Create, assume, or otherwise become or remain obligated in respect of, or permit or suffer to exist or to be created, assumed or incurred or to be outstanding any indebtedness for money borrowed.

(b) Liens. Create, assume, incur or permit or suffer to exist or to be created, assumed or incurred, any Lien upon any of its properties or assets of any character whether now owned or hereafter acquired other than Permitted Liens.

(c) Merger, Consolidation and Sale of Assets. Merge or consolidate with any other Person or sell, lease or transfer or otherwise dispose of all or a substantial portion of its assets to any Person or sell any Collateral outside the ordinary course of its business; *provided, however*, the Debtor may dispose of its Inventory in the ordinary course of its business so long as no Default or Event of Default shall have occurred. The inclusion of "proceeds" of the Collateral under the Security Interest shall not be deemed a consent by the Secured Party to any other sale or other disposition of any part or all of the Collateral.

(d) Change of Name, Structure, Etc. Without giving the Secured Party at least sixty day's prior written notice (i) change its name, identity or structure (ii) conduct business under any trade name or other fictitious name other than those set forth on Schedule 2.(a).

Section 6. The Secured Party Appointed Attorney-in-Fact. The Debtor hereby irrevocably appoints the Secured Party the Debtor's attorney-in-fact, with full authority in the place and stead of the Debtor and in the name of the Debtor or otherwise, from time to time in the Secured Party's discretion to take any action and to execute any instrument or document which the Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement and to exercise any rights and remedies the Secured Party may have under this Agreement or Applicable Law, including, without limitation: (i) to obtain and adjust insurance required to be maintained pursuant to Section 4.(d) hereof; (ii) to ask, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral including any Receivable; (iii) to receive, endorse, and collect any drafts or other instruments, documents and chattel paper, in connection with clause (i) or (ii) above; (iv) to sell or assign any Receivable upon such terms, for such amount and at such time or times as the Secured Party deems advisable, to settle, adjust, compromise, extend or renew any Receivable or to discharge and release any Receivable; (v) to file any claims or take any action or institute any proceedings which the Secured Party may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of the Secured Party with respect to any of the Collateral; and (vi) to execute any document or instrument referred to in Section 3. The power-of-attorney granted hereby shall be irrevocable and coupled with an interest.

Section 7. The Secured Party May Perform. If the Debtor fails to perform any agreement contained herein, the Secured Party may, without notice to the Debtor, itself perform, or cause performance of, such agreement, and the expenses of the Secured Party incurred in connection therewith shall be payable by the Debtor under Section 11. hereof.

Section 8. Remedies. The Secured Party may take any or all of the following actions upon the occurrence of an Event of Default hereunder.

(a) Acceleration. Upon the occurrence of an Event of Default specified in clauses (f) or (g) of the definition thereof, all of the Obligations shall become automatically due and payable without presentment, demand, protest, or other notice of any kind, all of which are expressly waived, notwithstanding anything in this Agreement or any other agreement evidencing any Obligations to the contrary. If any other Event of Default shall have occurred and be continuing, the Secured Party may declare all of the Obligations to be forthwith due and payable, whereupon the same shall immediately become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived, anything in this Agreement or any other agreement evidencing any Obligations to the contrary notwithstanding.

(b) Inventory and Equipment.

(i) Entry. The Secured Party may enter upon any premises on which Inventory or Equipment may be located and, without resistance or interference by the Debtor, take physical possession of any or all thereof and maintain such possession on such premises or move the same or any part thereof to such other place or places as the Secured Party shall choose, without being liable to the Debtor on account of any loss,

damage or depreciation that may occur as a result thereof, other than for actions that were not taken in good faith.

(ii) Assembly. The Debtor shall, upon request of and without charge to the Secured Party, assemble the Inventory and Equipment and maintain or deliver it into the possession of the Secured Party or any agent or representative of the Secured Party at such place or places as the Secured Party may designate and as are reasonably convenient to both the Secured Party and the Debtor.

(c) Use of Premises. The Secured Party may without notice, demand or other process, and without payment of any rent or any other charge enter any of the Debtor's premises and, without breach of the peace, until the Secured Party completes the enforcement of its rights in the Collateral, take possession of such premises or place custodians in exclusive control thereof, remain on such premises and use the same and any of the Debtor's equipment, for the purpose of (A) completing any work in process, preparing any Inventory and Equipment for disposition and disposing thereof and (B) collecting any Receivable.

(d) Rights as a Secured Creditor. The Secured Party may exercise all of the rights and remedies of a secured party under the Uniform Commercial Code and under any other Applicable Law, including, without limitation, the right, without notice except as specified below and with or without taking possession thereof, to sell the Collateral or any part thereof in one or more parcels at public or private sale at any location chosen by the Secured Party, for cash, on credit or for future delivery, and at such price or prices and upon such other terms as the Secured Party may deem commercially reasonable. The Debtor agrees that, to the extent notice of sale shall be required by Applicable Law, at least ten days' prior notice to the Debtor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification, but notice given in any other reasonable manner or at any other reasonable time shall constitute reasonable notification. The Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(e) Waiver of Marshaling. The Debtor hereby waives any right to require any marshaling of assets and any similar right.

(f) Appointment of Receiver. The Secured Party shall be entitled to the appointment of a receiver, without notice of any kind whatsoever and without regard to the adequacy of any security for the Obligations or the solvency of any party bound for its payment, to take possession of all or any portion of the Collateral and/or the business operations of the Debtor and to exercise such power as the court shall confer upon such receiver.

Section 9. Application of Proceeds. All proceeds from each sale of, or other realization upon, all or any part of the Collateral following an Event of Default shall be applied or paid over as follows:

(a) First to the payment of all costs and expenses incurred in connection with such sale or other realization, including attorneys' fees equal to 15% of the outstanding amount of Obligations if the Secured Party endeavored to collect the Obligations by or through an attorney at law;

(b) Second: to the payment of the interest due upon any of the Obligations, in any order which the Secured Party may elect;

(c) Third: to the payment of the principal due upon any of the Obligations in any order which the Secured Party may elect; and

(d) Fourth: the balance (if any) of such proceeds shall be paid to the Debtor or to whomsoever may be legally entitled thereto.

The Debtor shall remain liable and shall pay, on demand, any deficiency remaining in respect of the Obligations, together with interest thereon at a rate per annum equal to the highest rate then payable hereunder on such Obligations, which interest shall constitute part of the Obligations.

Section 10. Rights Cumulative. The rights and remedies of the Secured Party under this Agreement and each other document or instrument evidencing or securing the Obligations shall be cumulative and not exclusive of any rights or remedies which it would otherwise have. In exercising its rights and remedies the Secured Party may be selective and no failure or delay by the Secured Party in exercising any right shall operate as a waiver of it, nor shall any single or partial exercise of any power or right preclude its other or further exercise or the exercise of any other power or right.

Section 11. Expenses. The Debtor will pay, on demand, all out-of-pocket expenses incurred by the Secured Party in connection with: (a) the negotiation, preparation, execution, delivery and administration of this Agreement and any document or instrument evidencing any of the Obligations whenever the same shall be executed and delivered, including all appraisers' fees, search fees, recording fees, intangibles and stamp taxes payable by the Secured Party with respect to the Obligations and this Agreement and the Security Interest created hereby and the fees and disbursements of counsel for the Secured Party; (b) the collection or enforcement of the Obligations including the fees and disbursements of counsel to the Secured Party, including an amount equal to 15% of the Obligations as attorneys fees, if such collection or enforcement is done through or by an attorney; and (c) the exercise by the Secured Party of any right or remedy granted to it under this Agreement whether or not a Default or Event of Default has occurred, including, without limitation, the expenses incurred by the Secured Party in connection with the collection of Receivables directly from account debtors.

Section 12. Amendments, Etc. No amendment or waiver of any provision of this Agreement nor consent to any departure by the Debtor herefrom shall in any event be effective unless the same shall be in writing and signed by the parties hereto, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 13. Notices. Unless otherwise provided herein, communications provided for hereunder shall be in writing and shall be mailed, telecopied or delivered, if to the Debtor at its address at 430 10th Street NW, Suite N-108, Atlanta, Georgia 30318, Attn: Mr. John Jeppson, telephone number: (404) 607-7331 ext. 104, telecopy number: (404) 607-1878; if to the Secured Party, at its address at 8015 Shoal Creek Blvd., Suite 100, Austin, Texas 78757, Attn: James T. Hoover c/o IDM Partners, Ltd., telephone number: (512) 371-3700, telecopy number: (512) 458-1648; or, as to each party, at such other address as shall be designated by such party in a written notice to the other parties. Copies of all such notices shall be sent to Alston & Bird, One Atlantic

Center, 1201 West Peachtree Street, Atlanta, Georgia 30309-3424, Attn: George M. Maxwell, Jr., telephone number: (404) 881-7000, telecopy number: (404) 881-7777. All such notices and other communications to the Debtor shall be effective (i) if mailed, when received or three days after mailing, whichever is earlier; (ii) if telecopied, when transmitted; or (iii) if hand delivered, when delivered. All such notices or communications to the Secured Party shall be effective when actually received.

Section 14. Continuing Security Interest. This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until indefeasible payment in full of the Obligations, (ii) be binding upon the Debtor, its successors and assigns and (iii) inure the benefit of the Secured Party, and its successors and assigns. The Debtor's successors and assigns shall include, without limitation, a receiver, trustee or debtor-in-possession thereof or therefore.

Section 15. Applicable Law; Severability. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF GEORGIA. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under Applicable Law, but if any provision of this Agreement shall be prohibited by or invalid under Applicable Law, such provisions shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Agreement.

Section 16. Waiver. THE DEBTOR WAIVES (i) ANY NOTICE PRIOR TO THE TAKING POSSESSION OR CONTROL OF THE COLLATERAL OR ANY POSTING OF ANY BOND OR SECURITY WHICH MIGHT BE REQUIRED BY ANY COURT PRIOR TO ALLOWING THE SECURED PARTY TO EXERCISE ANY OF SECURED PARTY'S REMEDIES SET FORTH HEREIN, INCLUDING THE ISSUANCE OF AN IMMEDIATE WRIT OF POSSESSION AND (ii) THE BENEFIT OF ALL VALUATION, APPRAISEMENT AND EXEMPTION LAWS.

Section 17. Indemnification. The Debtor agrees to indemnify and hold the Secured Party harmless from and against any claim, loss, damage, action, cause of action, liability, cost and expense or suit of any kind or nature whatsoever, brought against or incurred by the Secured Party, in any manner arising out of or, directly or indirectly, related to or connected with any action taken by the Secured Party pursuant to the terms of this Agreement.

Section 18. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which, taken together, shall constitute but one and the same instrument.

Section 19. Definitions. (a) For the purposes of this Agreement:

"Agreement" means this Security Agreement, as the same may be amended, supplemented, restated or otherwise modified from time to time.

"Applicable Law" means all applicable provisions of constitutions, statutes, laws, rules, regulations and orders of all governmental bodies and all orders, rulings and decrees of all courts and arbitrators.

"Collateral" means all of the Debtor's right, title and interest in and to each of the following, wherever located and whether now or hereafter existing, or now owned or hereafter acquired or arising:

- (a) all Inventory;
- (b) all Equipment;
- (c) all rights of the Debtor as an unpaid vendor or lienor (including, without limitation, stoppage in transit, replevin and reclamation) with respect to any Inventory or other Equipment of the Debtor;
- (d) all tax benefits available to the Debtor, including recoverable value added taxes and sales taxes.
- (e) all documents of title, policies and certificates of insurance, chattel paper and instruments of the Debtor related to the foregoing;
- (f) all books, records, files and correspondence in any way related to any of the foregoing.
- (g) any and all products and proceeds of any of the foregoing (including, but not limited to, any claims to any items referred to in this definition, and any claims of the Debtor against third parties for loss of, damage to or destruction of, any or all of the Collateral or for proceeds payable under, or unearned premiums with respect to, policies of insurance) in whatever form, including, but not limited to, cash, instruments, general intangibles, accounts receivable, goods, documents, chattel paper, copyrights, trademarks, patents, trade secrets, trade dress, and all other intellectual property, including specifically technology relating to [describe the specific patent which comprises KBI's primary asset].

"Debtor" has the meaning set forth in the first paragraph hereof.

"Default" means any of the events specified in the definition of Event of Default, whether or not there has been satisfied any requirement for giving of notice, lapse of time or the happening of any other condition.

"Equipment" means all equipment, machinery, apparatus, fittings, fixtures and other tangible personal property (other than Inventory) of every kind and description used in the Debtor's business operations or owned by the Debtor or in which the Debtor has an interest, and all parts, accessories and special tools and all increases and accessions thereto and substitutions and replacements therefor.

"Event of Default" means any of the following events, whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment or order of any court or any order, rule or regulation of any governmental or nongovernmental body:

(a) failure of the Debtor to pay any principal, interest or other amount with respect to any of the Obligations when due;

(b) the failure of the Debtor to comply with any of the terms and provisions of this Agreement or any of the documents or instruments evidencing any of the Obligations;

(c) any oral or written representation or warranty made at any time by the Debtor to the Secured Party shall prove to have been incorrect or misleading in any material respect when made;

(d) a default, event of default, or event which with the giving of notice or the passage of time or both would constitute a default or event of default, shall have occurred under any other document, instrument, contract or agreement now or hereafter entered into by the Debtor and Secured Party or executed by the Debtor in favor of the Secured Party, or the Debtor shall in any way fail to comply with the terms, covenants or conditions contained in any such document, instrument, contract or agreement;

(e) a default, event of default, or event which with the giving of notice or the passage of time or both would constitute a default or event of default, shall have occurred under any document, instrument, contract or agreement (i) evidencing or securing indebtedness of the Debtor for borrowed money or (ii) material to the financial condition of the Debtor;

(f) the Debtor shall (i) commence a voluntary case under the Bankruptcy Code of 1978, as amended or other federal bankruptcy law (as now or hereafter in effect); (ii) file a petition seeking to take advantage of any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or composition for adjustment of debts; (iii) consent to, or fail to contest in a timely and appropriate manner, any petition filed against it in an involuntary case under such bankruptcy laws or other laws; (iv) apply for or consent to, or fail to contest in a timely and appropriate manner, the appointment of, or the taking of possession by, a receiver, custodian, trustee, or liquidator of itself or of a substantial part of its property, domestic or foreign; (v) be unable to, or admit in writing its inability to, pay its debts as they become due; (vi) make a general assignment for the benefit of creditors; or (vii) make a conveyance fraudulent as to creditors under any state or federal law; or

(g) a case or other proceeding shall be commenced against the Debtor in any court of competent jurisdiction seeking (i) relief under the Bankruptcy Code of 1978, as amended or other federal bankruptcy law (as now or hereafter in effect) or under any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or adjustment of debts or (ii) the appointment of a trustee, receiver, custodian, liquidator or the like for the Debtor of all or any substantial part of the assets, domestic or foreign, of the Debtor.

"Financing Statements" means any and all financing statements executed and delivered by or on behalf of the Debtor in connection with the perfection of the Security Interest, together with any amendments thereto and any continuations thereof.

"Inventory" means (a) all inventory of the Debtor and all goods intended for sale or lease by the Debtor, or for display or demonstration; (b) all work-in-process; (c) all raw materials and other materials and supplies of every nature and description used or which might be used in connection with the manufacture, packing, shipping, advertising, selling, leasing or furnishing of

such goods or otherwise used or consumed in the Debtor's business; and (d) all documents relating to any of the foregoing.

"Lien", as applied to the property of any Person, means any security interest, lien, encumbrance, mortgage, deed to secure debt, deed of trust, pledge, charge, conditional sale or other title retention agreement, or other encumbrance of any kind covering any property of such Person, or upon the income or profits therefrom or any agreement to convey any of the foregoing or any other agreement or interest covering the property of a Person which is intended to provide collateral security for the obligation of such Person.

"Obligations" means, individually and collectively: (a) all obligations and indebtedness owing by the Debtor to the Secured Party and all future advances made to the Debtor by the Secured Party, however and whenever created, arising or evidenced, whether direct or indirect, through assignment from third parties, whether absolute or contingent, or otherwise, now or hereafter existing, or due or to become due, including, without limitation, obligations under the Promissory Note dated as of the date hereof given by the Debtor in favor of the Secured Party and (b) all renewals, modifications, extensions and supplements to the foregoing.

"Permitted Liens" means: (a) Liens securing taxes, assessments and other governmental charges or levies not yet due and payable or the claims of, or obligations owing to, materialmen, mechanics, carriers, warehousemen or landlords for labor, materials, supplies or rentals incurred in the ordinary course of business but not yet due and payable; (b) Liens consisting of deposits or pledges made, in the ordinary course of business, in connection with, or to secure payment of, obligations under workmen's compensation, unemployment insurance or similar legislation; (c) Liens consisting of encumbrances in the nature of zoning restrictions, easements, and rights or restrictions of record on the use of real property, which in the sole judgment of the Secured Party do not materially detract from the value of such property or impair the use thereof in the business of the Debtor; (d) Liens in favor of the Secured Party and (e) that certain Lien, in the amount of \$5,005.97 in favor of Apex Supply Company, Inc.

"Person" means an individual, corporation, partnership, association, trust or unincorporated organization, or a government or any agency or political subdivision thereof.

"Receivables" means all accounts and any and all rights to the payment of money or other forms of consideration of any kind (whether classified under the Uniform Commercial Code as accounts, chattel paper, general intangibles, or otherwise) for goods sold or leased or for services rendered including, but not limited to, accounts receivable, proceeds of any letters of credit naming the Debtor as beneficiary, chattel paper, tax refunds, insurance proceeds, contract rights, notes, drafts, instruments, documents, acceptances, and all other debts, obligations and liabilities in whatever form from any Person.

"Secured Party" has the meaning set forth in the first paragraph hereof.

"Security Interest" means the Lien of the Secured Party upon, and the collateral assignments to the Secured Party of, the Collateral effected hereby or pursuant to the terms hereof.

"Uniform Commercial Code" shall mean the Uniform Commercial Code as in effect in the State of Georgia, United States of America as the same may be amended from time to time.

- (b) Unless otherwise set forth herein to the contrary, all terms not otherwise defined herein and which are defined in the Uniform Commercial Code are used herein with the meanings ascribed to them in the Uniform Commercial Code.

[Signatures on following pages.]

IN WITNESS WHEREOF, the Debtor has caused this Security Agreement to be duly executed and delivered under seal by its duly authorized officers as of the day first above written.

KINETIC BIOSYSTEMS, INC.

By: [Signature]
Name: JOHN E. BORDY III
Title: PRESIDENT

ATTEST:

By: _____
Name: _____
Title: _____

(CORPORATE SEAL)

Agreed and accepted as of the
date first written above.

IDM PARTNERS, LTD.

By: _____
Name: _____
Title: _____

Frank Aunian

Harrington Bischof

SCHEDULE 2.(a)

Trade Names

(To be Completed by Debtor)

SCHEDULE 2.(g)

Locations of Equipment and Inventory

1. Kinetic Biosystems, Inc.
 430 10th Street NW Suite N-108
 Atlanta, GA 30318
2. Kell Hall
 Georgia State University
 24 Peachtree Ctr. Ave NE
 Atlanta, GA 30303
3. Advanced Protein, Inc. (pilot plant located on this property)
 4705 Leland Drive
 Cumming, GA 30041